

## OIL- AN OSAGE LEGACY

SPYGLASS CONCESSION  
AGREEMENT

At the July 2012 meeting, the Osage Minerals Council entered into a Concession Agreement with Spyglass Energy Group covering 54,667 acres over a 5-year period at the rate of \$100 per acre for a bonus consideration of \$5,466,700. The acreage covered by the concession is on the West side of the Osage Mineral Reservation. Although the 5-year term is longer than other leases, it is in line with leases that had been sold in the past. Also, it enables the lessee to meet the drilling commitment set out in the agreement.

When the concession was agreed upon by the Council, Spyglass had five days on which to pay the 5 million plus bonus consideration. Spyglass met the 5-day agreement and the bonus was deposited in the Osage Trust Account. It was thought that since the bonus was paid within the 5-day time limit, it would be paid out in the September payment making it the largest payment ever. However, because the Oil and Gas section of the Agency is understaffed, only about one-third the leases in the concession were approved; therefore only about one-half the bonus money went into the September payment, but the balance will be included in the December payment since the remainder of leases have been approved.

Since only about one-half of the \$5 million plus bonus was included in the September payment, the payment was less than the June payment for the reason the price of oil dropped from a high of \$104.75 in March to a low of \$74.25 in June. The price of oil has since risen to \$89.29 in August which was the closing date for funds to go into the September payment. It is hoped that the above clarifies any questions you may have regarding this matter.

Melvin Core

P.S.

In our previous correspondence, it was stated that we would bring you up-to-date on the oil and gas activity in the Osage oil field. But, as mentioned above, the oil and gas section of the Agency is understaffed and is behind in furnishing us this information.

NEGOTIATED RULE MAKING  
COMMITTEE

One of the more long lasting elements of the Trust Case settlement agreement was a commitment from the DOI & BIA to work with the Osage on improving BIA service delivery in Minerals management. This commitment takes a two pronged approach. One aspect is twice a year meetings between the Osage Minerals Council and high level Federal government officials with the goal of finding ways to improve BIA service delivery through updates in resource allocation and improved policies and procedures.

To date we've had one of those meetings at which many areas needing improvement were identified and are already being addressed. We have also begun the second phase, and that is a more formal negotiated rule making process that is necessary to make changes to the CFR's (Code of Federal Regulations) that regulate how the BIA conducts their business.

Because of the uniqueness of the Osage relationship with the DOI/BIA, there is a whole section of the CFR's that only apply to Osage. Some of these regulations have become antiquated and we find ourselves not receiving the level of service that other tribes and federal lands receive. We are focusing on changes that will modernize the way our Oil and Gas are valued, measured and metered as well improving production by strengthened prudent operator standards. Another major area of improvement are code changes that will bring the Osage BIA Agency into the 21<sup>st</sup> century with computerized systems that will improve management abilities, accountability and delivery of services to our producers.

We have been very pleased with the level of commitment to meaningful improvement that has been exhibited by the BIA. We've had three meetings this year in which the Director of the BIA, Mike Black, attended bringing with him minerals experts from several agencies within the Dept. of Interior to help identify and find solutions to our problems. In the past, attempts at improvement have often died within the BIA bureaucracy somewhere between the local agency and top level decision makers. Now we are meeting directly with the top people and they seem very committed to making the delivery of services from the Osage agency the best there is.

Chairman Galen Crum

6/20/2012

**MOTION:** To rescind injunctive Law suit against Chief of Osage Nation.

**MOTION BY:** RedEagle, **SECONDED BY:** Abbott, **AYE 4,** Abbott, Core, RedEagle, Yates **NAY 4,** Boone, Crum, Whitehorn, Bear.

**MOTION FAILED**

7/18/2012

**MOTION:** To accept Lease Sale bids for a total of \$217,300.

**MOTION BY:** Core, **SECONDED BY:** Yates, **AYES 8, NAY 0.**

**MOTION PASSED**



# CHAIRMAN'S QUARTERLY REPORT



## THE BARREL-BOTTOM LINE

Data for this report is provided from and compiled by Jim D. Swan, the Minerals Council Auditor. He is responsible for ensuring our accounts are maintained in strict accordance with Federal law. Jim is also responsible for preparing Monthly Oil and Gas Production Reports. Most importantly he calculates the Quarterly Payment.

*This is accomplished by auditing data provided from Office of the Special Trustee in Albuquerque, New Mexico.*

*Chairman Galen Crum*

**Payment** for the third quarter (September 2012) will be **\$9,465.00** per headright.

**Computation:** Total Revenue **\$21,099,002.22** for the second quarter production and collections. (\$21,099,002.22 divided by 2,228.97393 headrights equals **\$9,465.00** rounded back to the nearest \$5.00.)

**Major Details of the: \$21,099,002.22**

**Oil and Tank Bottoms Production:** 1,227,228.25 gross barrels or 196,897.22 royalty barrels.

**Oil Revenue:** \$18,154,804.11

**Average price per barrel of oil:** \$92.20

**Gas Production:** 3,028,234 gross M.C.F. or 530,319.48 royalty M.C.F. and 3,311,349 gallons.

**Gas Revenue:** \$1,255,141.31

**Sand and Gravel Royalty:** \$152,299.81

**Oil and Gas Bonuses Collected:** \$2,545,620.00

**Oil and Gas Rental Collected:** \$79,594.33

**Water Use Royalty:** \$58,552.87

**Interest Earned:** \$5,590.56

**Miscellaneous Revenue:** \$17,896.51

**Gross Production Tax to the State of Oklahoma:** \$970,497.28

**Miscellaneous Disbursements:** \$0

*Why does it take so long to get information on Payment?* In truth, it doesn't. We have been told ahead of time for so long that we take for granted that payment is *not* late until after the 14<sup>th</sup> of the month payment is dispersed! **Call 24/7 to the OMC HOTLINE for information: 918-287-5556 or 287-5433**

## 11<sup>th</sup> Annual Osage Oil & Gas Summit and Lease Sale November 7 & 8, 2012

### • LODGING SPECIAL RATE

Hyatt Regency Tulsa  
100 East Second Street  
Tulsa, OK 74103  
Telephone: 918/582-9000; 888/591-1234;

### • FURTHER INFORMATION

Contact: Reta Lintner (918-287-5359; rlintner@osage-tribe.org)  
Joyce Whitewing (918-885-2433; jwopa@valornet.com)  
Or Osage Minerals Council (918-287-5346)

## HISTORICAL OIL PRODUCTION TO BE LINKED TO THE MINERALS COUNCIL WEBSITE

<http://oag.osage-tribe.org/osageonline>

### Oil and Gas Operations October 2011 to May 2012

OIL CO.	WELL LOCATIONS	OILWELLS COMPLETED	GAS WELLS COMPLETED	DRY HOLES	SALT WATER DISPOSAL WELLS
MAJOR	166	10	1	0	1
INDEPENDENT	32		-		-

Did you know -The Burbank Field was established in May 1930 by E. W. Marlin.  
Information furnished by: Charles Hurlburt, BIA Supervisory Petroleum Engineer

**Northern California Osage Potluck Picnic/ Fall Meeting:** Saturday, October 20<sup>th</sup> 10am-5pm at Lake Temescal Park, 6500 Broadway Oakland (near the intersection of Hwy 24 and Hwy 13). Meet at the Landvale picnic site: Map at: [http://www.ebparks.org/Assets/files/Temescal\\_map\\_0.pdf](http://www.ebparks.org/Assets/files/Temescal_map_0.pdf) Park on the street or in the north entrance lot \$5. Come meet fellow Osages, bring a potluck dish to share; all are welcome. Check for meeting updates and list of meeting speakers/ events at <https://www.facebook.com/#!/groups/46460923890/> & <http://northerncaliforniaosage.org/>

## What you need to know

### Contact Numbers:

~Chairman Galen Crum  
Cell: 918-504-3275  
gcrum@osage-tribe.org  
~Joseph B. 'Sonny' Abbott, Jr.  
Cell: 918-381-9583  
joeabbott@windstream.net  
~Curtis O. Bear  
Cell: 918-766-1736  
officecurtisbear@yahoo.com  
~Cynthia J. Boone  
Home: 918-287-2920  
Cell: 918-698-3314  
tom@cowboy.net  
~Melvin Core  
Cell: 918-331-7511  
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~Myron F. Red Eagle  
Cell: 918-625-5386  
minerals@osage-tribe.org  
~Dudley Whitehorn  
Cell: 918-695-4034  
jdwsage@windstream.net  
~Andrew Yates  
Cell: 918-504-1240  
jayates@osage-tribe.org

### BIA – OSAGE AGENCY

Superintendent  
Melissa Currey  
918-287-5700  
Office of the Special Trustee  
IIM 918-287-5791  
Trust Call Center  
1-888-678-6836  
Probate 918-287-5750  
**DEPT. OF INTERIOR**  
Office of the Solicitor  
918-669-7730



Osage Negotiated Rulemaking  
Committee Meetings – 2012  
9 A.M. – 6 P.M.  
September 27<sup>th</sup> and 28<sup>th</sup>  
Doubletree Hotel, Tulsa, OK

October 22<sup>nd</sup> and 23<sup>rd</sup>  
Osage Event Ctr, Tulsa, OK

Locations to be Announced  
see local newspapers for:

November 13<sup>th</sup> and 14<sup>th</sup>  
December 13<sup>th</sup> and 14<sup>th</sup>

#### PROPOSED AMENDMENTS FAIL

All four proposed constitutional  
amendments failed in the Aug. 13  
Osage Nation Special Election, so the  
Osage Constitution will remain as it  
is.

Absentee ballots outnumber in-person  
votes with 1,024 counted; 455 Osages  
voted in-person.  
The ON Election office announced  
the unofficial results are:

ONCR 10-19: YES – 911 (61.75  
percent); NO – 565  
ONCR 11-12: YES – 803 (54.55  
percent); NO – 669  
ONCR 11-13: YES – 815 (55.18  
percent); NO – 662  
ONCR 11-14: YES – 831 (56.22  
percent); NO – 647

In complete, but unofficial results, the  
four amendment questions failed to  
garner 65 percent of the “yes” vote  
required for constitutional  
amendments to take effect.

#### Cobell v Salazar Update

On May 22, 2012, the Us Court of  
Appeals held that the appeals are  
without merit. Petitioners asked for  
and received an extension of time and  
now must file their consolidated  
petition on or before September 19.  
Payments to individual Indians  
cannot be made until the appeals of  
the petitioners are exhausted. Until  
their appeals are exhausted, no money  
is available to Indian students for  
scholarships and no money would be  
available to purchase fractionated  
land ownership interests.

Update from Class Counsel

NOW ACCEPTING - LETTERS TO THE EDITOR. – SEND SUBMISSIONS TO  
OSAGE MINERALS COUNCIL. LIMIT 300 WORDS OR LESS. SUBMISSIONS WILL  
NOT BE RETURNED. ALL LETTERS MUST HAVE NAME AND ADDRESS  
NO ANONYMOUS ACCEPTED!

#### Motions & Resolutions

6/25/2012

**MOTION:** To accept Spyglass Concession amendment.

**MOTION BY:** Abbott, **SECONDED BY:** Yates, **AYES 6, NAY 1,**  
**ABSTAIN 1.**

**MOTION PASSED**

7/18/2012

**MOTION:** To approve training travel on 8/15 & 8/16/2012,

**MOTION BY:** Bear, **SECONDED BY:** Core, **AYE 8, NAY 0,**  
**MOTION PASSED**

**MOTION:** To accept Spyglass Assignment to Devon Energy.

**MOTION BY:** Abbott, **SECONDED BY:** Yates, **AYE 5, NAY 3.**  
**MOTION PASSED**

8/10/2012

**MOTION:** To have Media release of NRM open meetings.

**MOTION BY:** Bear **SECOND:** Boone, **AYE 8, NAY 0.**  
**MOTION PASSED**

8/15/2012

**MOTION:** To accept adding gas to oil lease for Krebs Oil

**MOTION BY:** Boone, **SECOND:** Whitehorn, **AYE 7,**  
**ABSENT 1. MOTION PASSED**

**MOTION:** To accept take down of 8 leases by PERL.

**MOTION BY:** Abbott, **SECOND:** RedEagle, **AYE 7,**  
**ABSENT 1. MOTION PASSED**

**MOTION:** Accept a 3 mo. Lease for Black Lava.

**MOTION BY:** Yates, **SECOND:** RedEagle, **AYE 4, NAY 3,**  
**ABSENT 1. MOTION PASSED**

**MOTION:** Approve Budget Modification # 3.

**MOTION BY:** Abbott, **SECOND:** Bear, **AYE 7, ABSENT 1.**  
**MOTION PASSED**

**MOTION:** Put all available Osage Production data online.

**MOTION BY:** RedEagle, **SECOND:** Abbott.

**Motion withdrawn at this time.**

#### DRILLING UPDATE

At the July 2012 Osage  
Minerals Council meeting,  
Spyglass Energy Group  
requested permission to assign  
their South Bend Concession  
agreement to Devon Energy  
Corporation, based in  
Oklahoma City.

Devon Energy is a major oil  
geophysical company with 20  
drilling rigs operating under  
their possession. These rigs  
will be used in their  
exploration for oil in Alfalfa  
County, Kay County, Grant  
County and Osage County.

As mentioned in the past,  
these horizontal wells drilled  
in the South Bend produce a  
tremendous amount of  
saltwater.

However, Spyglass Energy  
has completed a saltwater  
disposal well operating under  
pressure in the disposal zone  
and can handle the produced  
water. We believe that Devon  
Energy will be a valuable  
asset in the oil field of the  
Osage Mineral Estate.

#### PLANNED DEEPEST WELL IN COUNTY

A further update – Spyglass  
Energy will be starting their  
deep drilling of a well named  
the Hunka No. 1 to the Wah-  
Zha-Zhi basin in October  
2012. This will be the deepest  
well ever to be drilled on the  
Osage Mineral Reservation.

Councilman  
Melvin Core

Reception: 918-287-5346

Hot Line – 918-287-5556

Charity Damron Trust Assistant: 918-287-5447 - > [cdamron@osagetribe.org](mailto:cdamron@osagetribe.org)

Fawn Cheshewalla Secretary/Trust Clerk: 918-287-5433 > [clcheshewalla@osagetribe.org](mailto:clcheshewalla@osagetribe.org)

Editor: Reta Lintner Minerals Technician: 918-287-5359 - > [rlintner@osagetribe.org](mailto:rlintner@osagetribe.org)

#### MINERALS COUNCIL ON THE

↓↓↓WEB↓↓↓

<http://www.osagetribe.com/minerals/>



Osage Minerals  
Council  
P.O. Box 779  
Pawhuska, OK 74056

TO:

## 2012 OIL AND GAS LEASE SALE

### Lease Sale No. 16

will be held at 10:00 A.M. on  
November 7, 2012 during the  
Osage Oil & Gas Summit,  
November 7<sup>th</sup> & 8<sup>th</sup>, 2012  
at the Hyatt Regency Hotel,  
Downtown Tulsa, Oklahoma

TECHNOLOGY: OUR BRIDGE TO THE FUTURE

*Refreshments will be served*

## OSAGE MINERALS COUNCIL Wah-Tiah-Kah SCHOLARSHIPS AVAILABLE FOR 2013

### DEADLINE DATES

SPRING 2013 SEMESTER-DEC. 31-2012  
2013 FALL SEMESTER-JULY 1 2013

FIELD OF STUDY MUST BE  
OIL INDUSTRY RELATED

FOUR \$1,000 AWARDS PER SEMESTER

TO APPLY CONTACT 918-287-5433 OR  
DOWNLOAD THE INFORMATION FROM  
THE WEBSITE. APPLY EARLY!

*Committee Chairman Melvin Core*

